

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6321**

**BILL NUMBER: SB 91**

**DATE PREPARED:** Nov 7, 2001

**BILL AMENDED:**

**SUBJECT:** Sales Tax Holiday for Clothing Purchases.

**FISCAL ANALYST:** John Parkey

**PHONE NUMBER:** 232-9854

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 2002	FY 2003	FY 2004
State Revenues		(3,500,000)	(3,500,000)
State Expenditures			
Net Increase (Decrease)		(3,500,000)	(3,500,000)

**Summary of Legislation:** This bill provides a Sales Tax exemption for an article of clothing that is: (1) priced less than \$100; and (2) purchased during the seven-day period beginning on the first Friday in August and ending on the following Thursday.

**Effective Date:** July 1, 2002.

**Explanation of State Expenditures:** This proposal could have a minimal administrative impact on the Department of State Revenue. Any increase is expected to be absorbed using existing staff and resources.

**Explanation of State Revenues:** This proposal may result in a reduction of revenue collected from the Gross Retail (Sales) Tax on clothing sales. This bill is estimated to reduce state Sales Tax revenue by **\$3.5 M** in both FY 2003 and FY 2004.

*Background:* Based on adjusted historical data from the Bureau of Labor Statistics, *Consumer Expenditure Survey*, it is estimated that the Sales Tax on clothing under \$100 will generate about \$498,000 in sales tax revenue each day during the exemption period in August of FY 2003. Since this exemption will last for seven days, the total expected revenue loss from clothing sales will be approximately \$3.5 M.

The estimates above are based on historical data and projected growth. They do not consider any increased sales that may result from an incentive caused by the proposed exemption. The loss of sales tax revenue may be partially mitigated by increased taxable sales of other items, such as meals or other taxable items not included in this exemption.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%).

The reductions in these funds for FY 2003 are estimated to be:

State General Fund:	\$ 2,058,000
Property Tax Replacement Fund:	\$ 1,395,000
Public Mass Transportation Fund:	\$ 27,000
Commuter Rail Service Fund:	\$ 6,000
Industrial Rail Service Fund:	\$ 1,000
Total	\$ 3,487,000

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** U.S. Bureau of Labor Statistics, *Consumer Expenditure Survey*; U.S. Census Bureau; Congressional Budget Office.